

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION**

#### **JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND COMMERCE**

**Call to Order:** By **CHAIRMAN RICK RIPLEY**, on January 13, 2005 at  
8:00 A.M., in Room 317-C Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Rick Ripley, Chairman (R)  
Sen. Ken (Kim) Hansen, Vice Chairman (D)  
Sen. Gregory D. Barkus (R)  
Sen. Bob Hawks (D)  
Rep. Walter McNutt (R)  
Rep. John L. Musgrove (D)

**Members Excused:** Rep. Rosalie (Rosie) Buzzas (D)

**Members Absent:** None.

**Staff Present:** Britt Nelson, Committee Secretary  
Barbara Smith, Legislative Branch  
Doug Schmitz, OBPP Representative

**Please Note.** These are summary minutes. Testimony and discussion  
are paraphrased and condensed.

**Committee Business Summary:**

Hearing & Date Posted: HB 2, 1/12/2005  
Executive Action: None

**HEARING ON DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION:  
CONSERVATION AND RESOURCE DEVELOPMENT DIVISION**

**Barbara Smith, Associate Fiscal Analyst**, discussed the handouts she provided to the Committee. There was a one page performing audit summary on wild-land fire administrations. The next handout she discussed concerned the three Decision Packages (DP) which committee members had approached her with. The third handout was an update from January 12's two DP's coming through from the executive of the Heritage Program.

**EXHIBIT(jnh09a01)**

**EXHIBIT(jnh09a02)**

**EXHIBIT(jnh09a03)**

**Barbara Smith** wanted to remind the committee members to bring her any new proposals as soon as possible.

**Ray Beck, Administrator of the Conservation and Resource Development Division**, introduced the Division to the Committee. The mission of the Division is to provide technical and financial assistance to private citizens, local governments, and state agencies for conservation and development and the management of Montana State's natural resources. The Division is responsible for the administration of Conservation Districts. The Division has become the financial administrator of many of the State's loan and grant programs. There are three bureaus within the Division: the Conservation Districts' Bureau, the Loan and Financial Management Bureau, and the Resource Development Bureau. There are 23 positions throughout the state. The Division provides administrative, technical, financial, and legal assistance to all 58 Conservation Districts. The assistance also includes a certain amount of supervisory responsibility.

**Ray Beck** discussed Conservation Districts in greater detail. He mentioned that they cover the entire state, existing in most cities and towns. The Districts are local governments set up under state law and are responsible for management of natural resources within their boundaries. Each District has five locally elected non-partisan supervisors; also incorporated committees within the District are allowed to appoint two members. The supervisors who are appointed have the same rights under the law as those who are elected.

**Ray Beck** then introduced some of the additional items which the Division is involved in as far as assisting Districts. One of these programs is the Range Program. This Program, set up under the Rangeland Management Program, is responsible for coordinating

Range Management Programs state wide. Nearly 70% of Montana land is made up of rangeland habitat and grazed woodlands. In the past the Division has had to contract with the Department of Natural Resources and Conservation Services. However, last year the contracting funds were lost so they have been operating under a small grant. Also tied to the Rangeland Management Program is the Rangeland Improvement Loan Program. There are other loan programs which he mentioned and indicated he would discuss later.

**Mr. Beck** however did want to address a question that often came up in discussing these loans. He asked, "Is the division in competition with private lenders?" The answer to this question is no. The Division's loan program provides a service effort which works very well with other lenders. The Division issues loans for practices which private lenders usually do not.

***{Tape: 1; Side: A; Approx. Time Counter: 0 - 11.7}***

**Ray Beck** continued talking about the Rangeland Management Program, focusing on its efforts in education. There is a youth range camp and a winter grazing seminar. Other activities that the Division is involved with is assisting Districts with their water reservation responsibilities. Currently 35 Districts hold water reservations with a total of 363,000 acre feet of water reserved for the Districts. The Division coordinates extensive riparian management programs involving Conservation Districts, state agencies, federal agencies, and private organizations. the purpose of the program is to provide proper riparian management. There have also been a number of publications that were aimed at landowners concerned with education on proper riparian management and the best management practices. Another issue around the State is the effect of rapid growth and subdivision of agricultural lands. The Division and coordination of Conservation Districts and other entities across the State has developed an educational curriculum based on the successful Montana TIPS guide. The curriculum addressed all aspects of land and water management.

**Ray Beck** introduced the District assistance to urban areas as one of the fastest growing workloads the Division has to address. The Division assists areas with urban activities including educational workshops, working with government to achieve better land use development, financial assistance, education, water quality and water conservation efforts. Somewhat related is the section 319 of the Clean Water Act which requires states to assess and remediate the source of water pollution. CD's are required to assess and come up with local solutions to pollution problems.

***{Tape: 1; Side: A; Approx. Time Counter: 11.7 - 16.5}***

**Ray Beck** stated that there had been a significant increase in forest related activities. Conservation Districts have begun in assisting the organizational process through providing assistance for local landowners. They assist by securing and coordinating distribution of forest management preservation funds to districts. The Division also works cooperatively with the Natural Resource Conservation Service in supporting the economic development and community assistance efforts of the State's Resource and Conservation Districts(RC&D). RC&D's are multi-county regional entities which address local needs through their local involvement. Some examples are Portable Housing Projects, sponsorship of local economic development groups, coordination of forest management, small business start-up, and regional water systems. There are two councils which have been formed by a cooperation of Conservation Districts; the Yellowstone River Conservation District Council and the Missouri River Conservation District Council.

**Ray Beck** concluded his presentation on Conservation Districts and moved onto the Grants and Loan Program. The Division administers a number of loan and grant programs, the majority of the funding goes to local governments to conserve, restore, and protect natural resources. The Renewable Resource Grant and Loan Program is contained in HB 6 dealing with Long Range Planning. The Program provides grants and loans to fund natural resource projects. Total grant funds come to about \$4 million throughout the biennium. Projects include construction and rehabilitation of irrigation and municipal water and waste water facilities, stream bank stabilization, water protection and evaluation, and other renewable resource projects. For the next biennium they have received 63 applications for a little over \$6 million. **Mr. Beck** provided a project from Deer Lodge as an example of the type of projects funded through this program.

The next program he discussed was the Planning Grants. Planning Grants are a project which matches the funds of local governments up to \$10,000. The effort has been very successful and the Division has been able to assist many communities in their efforts to find solutions to aging infrastructures.

***{Tape: 1; Side: A; Approx. Time Counter: 16.5 - 22.0}***

**Ray Beck** addressed the Emergency Project Program and funds that are available during the legislature. There is currently \$171,000 available to address emergency projects. The projects must qualify as a Renewable Resource Project Program and must

demonstrate that if not completed, the emergency would result in substantial damage or legal liability for the Project sponsor. The example **Mr. Beck** gave was the Ingomar Water District. It came to a \$28,600 cost with a maximum grant of \$30,000. The critical problem was for fire protection in the community. He also noted that the only entities that qualified for emergency funds are governmental entities.

***{Tape: 1; Side: A; Approx. Time Counter: 22 - 25.9}***

**Ray Beck** next discussed Regional Drinking-Water Programs around the State. Currently, there are four projects that are concerned with drinking-water; the Fort Peck Dry Prairie Water System, the Rocky Boy Regional Water System of Central Montana, the Musselshell Valley Regional Municipal Water Project, and the Dry Redwater Project. There are a variety of responsibilities for the Division with these Projects. They are responsible for maintaining contact with local system authorities, project sponsors, and contractors. They administer state grants to local systems, ensure communication with the concerned areas and agencies, serve as a go-between with the tribal Governments and applicable federal agencies, and provide a point of contact within the state government for those with questions or comments about the systems. **Mr. Beck** indicated three specifics on the Coal Severance Tax Collections Chart; the allocation, program funding at 7.75%, and the four entities which the Coal Tax funds. He wanted to mention that the Regional Water Fund principal could not be used but the interest off of the fund could be used for water projects. This is where the funding for Regional Water Projects comes from. The Bond Fund is the fund within the Trust that taxes the bonds for the Coal Severance Tax loans. The borrowers payments come in to debt service on the bonds but because they are approved by the legislature and have interest breaks on the loans, the payments don't meet the debt service. Therefore, there is money that comes out of the bond fund in the Trust to pay the debt services.

***{Tape: 1; Side: A; Approx. Time Counter: 25.9 - 34}***

**Ray Beck** reported that the Division also provided loan funding for private water systems. There have been 345 loans to private individuals, almost all of which have been used to purchase irrigation equipment to replace systems or develop new systems. Connected to this loan funding is the 2005 task force that was organized by the Department of Agriculture. One of the goals was to develop 500,000 acres of new irrigation by the year 2005. In order to accomplish this goal the 1999 legislature established a program which was placed in the Division. They have worked with

over 100 projects and have developed 43,000 acres of new irrigation. This program was eliminated by the Martz budget. However, the Division worked closely with the Lower Yellowstone Conservation District Development Committee which implemented an effort called the Montana Natural Resources Act. If this effort is successful there is an estimated 100,000 acres of irrigation that will be created.

The next grant program **Ray Beck** brought up was the Reclamation and Development Grants Program. The projects funded include reclamation of abandoned oil and gas wells, hard rock mines, and other crucial sites. There have been 21 applications. An example of the types of projects that receive funding is the Bluebird Mine in Jefferson County.

The Division also manages the financial portion of the State Waste Water Revolving Fund. The Department of Environmental Quality handles the technical portion of the Program. The loans are made to governmental entities to include their waste water facilities. Loans are three to four percent with a 20yr. pay-back. There are currently 140 loans totaling approximately \$187 million. By the end of next biennium they suspect to have 15 additional loans. There is a connected program called the Safe Drinking-Water Revolving Fund. This is also split between the CARD Division and the DEQ with the Division managing the financial aspects. The loan is to allow governmental agencies to improve their water facilities. There are currently 64 loans for approximately \$62 million being considered. Within the next biennium they suspect 20 more loans. **Ray Beck** finished his presentation with a recap of the financial portion of the division.

**Anna Miller, Financial Officer of the CARD Division**, handed out two pieces of information; one a packet dealing with the DP's for the Division and the other, a map of the areas served by the regional Water System.

[EXHIBIT\(jnh09a04\)](#)

[EXHIBIT\(jnh09a05\)](#)

*{Tape: 1; Side: A; Approx. Time Counter: 34 - 51}*

**Anna Miller** explained the DP's belonging to the Division; DP 2301, 2302, 2303, 2310, 2312, 2313, 2314, 2315, 2316, 2304, 2305, and 111. She also went through the language packages that the Division requested for the next biennium.

*{Tape: 1; Side: B; Approx. Time Counter: 0 - 27.8}*

**QUESTIONS FROM THE COMMITTEE AND THE RESPONSES**

**REP. MUSGROVE** noticed that the Dry Fork Reservoir was not funded and he wished to have more information on that.

**John Tubbs, Chief of the Resource Development Bureau**, answered that the particular project which REP. MUSGROVE had mentioned was privately owned. He affirmed that the Bureau did provide some assistance to the land owner. The project was hard to initiate in the project because the beneficiary is the private landowner, public access is restricted, and all that the Division was asked to do was to spend \$100,000 on materials while all of the construction work was done by the landowner.

**SEN. HAWKS** noted that there was an element of economic development to the Division. He wanted to know if there was any coordination with RC&D's.

**Ray Beck** answered that there was with a broad spectrum of activities. The point he was trying to make was that all of the programs play a key role in some sort of economic development for the State. They are all key especially in rural areas. He mentioned that there was coordination with the RC&D whose main goal was to promote economic development. As far as specific administration coordination went, the Division was in touch with the Department of Commerce and worked closely with other agencies to bring economic development to the State.

**SEN HAWKS** followed up with regard to private loans. He thought that he had heard a comment from Anna that private loans were backed up with second and third mortgages. He wanted to know if the loans were approached from a financial standpoint, if there was significant risk of default, and if they were backed up in a similar manner to bank loans.

**Ray Beck** replied that the backing for the loans was held at a much higher standard than financial institutions so their backing is very strict and they do in some cases take a second mortgage. As far as defaults are concerned they have basically zero defaults. He wanted to add that the Private Loan Fund Program they had been talking about had been moved into the Division in the late 1980's early 1990's because of significant problems with how it was being managed. After they cleaned up some of the pre-existing problems they did not have any significant defaults. They do end up occasionally in bankruptcy court but they have secured debt. They try to secure 150% of the value of the loan.

**SEN. BARKUS** asked Anna Miller if she could explain how they were going to handle DP 2313 with the \$1 million and the pending legislation for the \$4 1/2 million. He also asked if the Committee should ignore both of those or postpone the DP until they know what is in store for those two funds.

***{Tape: 1; Side: B; Approx. Time Counter: 27.8 - 44.4}***

**Anna Miller** replied that what the Division would do is coordinate with Doug and Barbara on what the administration would want to do. The plan at that time was to take care of the \$4 1/2 million per year in HB 3. She was not sure if the Committee had to approve that because what these DP house where things that they do in HB 2. The second DP, which is the one concerned with \$1 million, would be acted upon in the Committee because it was directly in their budget. However, taking action on these would be dependent on HB 3.

**Barbara Smith** explained that she and Doug had already had a conversation on this point and that they needed to verify that it had been removed as a HB 2 request and moved to HB 3. She also verified that the Committee would act on the \$1 million DP because it would be removing \$1 million of General Fund from the Divisions base. If it was left in there they would have the authority to spend it for only that reason.

**CHAIRMAN RIPLEY** asked if they would know by Tuesday.

**Barbara Smith** answered in the affirmative.

**Anna Miller** added that it was an obligation that the State holds towards the Crow Tribe.

***{Tape: 1; Side: B; Approx. Time Counter: 44.4 - 50}***

**REP. MUSGROVE** wanted to know if HB 3 had an immediately effective date.

**Barbara Smith** was not sure.

**Anna Miller** believed that it would be effective this year.

**CHAIRMAN RIPLEY** wished to clarify why the Department would be loaning money to the Oil and Gas Division.

**Ray Beck** answered that it was a grant not a loan.



**John Tubbs** explained that HB 7 appropriates by statute \$600,000 to the Oil and Gas Division for the proper plugging of abandoned wells. It was discussion that took place in the late 1990's. The Oil and Gas Industry pays about 7% of the total process towards RIT funds. Basically they came to the committees and argued that if RIT issued monies were going to be used for a number of purposes that they deserved to receive some benefits from the money that they deposit into the trust. Therefore the statute was changed to acquire \$600,000 mandatory that the Department would provide.

**CHAIRMAN RIPLEY** thought it should be in the Oil and Gas Division's budget.

**John Tubbs** replied that it does end up in their budget it just goes through a grant in HB 7.

**CHAIRMAN RIPLEY** wondered when the Committee would get the information on adjusting the Grazing Commission.

**Ray Beck** said that Barb would be better to ask.

**Barbara Smith** replied that she knew they were lowering the appropriation to \$7,000 and then asking for the language appropriation for \$20,000 in case it is needed. She made the comment in her notes to the committee that maybe it should be considered with the contingency that should be 'if grazing fees are raised there is an access to \$20,000.'

**CHAIRMAN RIPLEY** followed up asking how long the Grazing Fee had been at three cents.

**Jay Bodner representing the Montana Association of State Grazing Districts** explained that the fees were set in 1999 and they have been consistent since then.

*{Tape: 2; Side: A; Approx. Time Counter: 0 - 6.2}*

#### **PROPOSERS**

**Bob Lee, a rancher and grazing land manager from Judith Gap Montana,** wanted to go on record for supporting the funding for the grazing land resource specialist for the DNRC. He purported that grazing land takes up 70% of the Montana landscape and supports its number one industry, the livestock industry. Not only is grazing land necessary for livestock but also for wildlife and the filter that grasses provide for rain and snowfall. He declared that Montana's ranchers are happy to take

responsibility for their actions. In the past the range land specialist helped the ranchers maintain their land for future generations with smart management practices. He spoke to the benefits of the Rangeland Revolving Loan Program.

***{Tape: 2; Side: A; Approx. Time Counter: 6.2 - 10.3}***

**Les Gilman, rancher from the community of Alder Montana and Chairman of the Rangeland Resources Executive Committee,** came to speak on behalf of the reinstatement of the rangeland resource specialist position. He agreed with Mr. Lee that there was no greater resource for Montana than its rangelands.

**Michael Wendland, farmer from Hill County and a member of the Montana Association of Conservation Districts Board,** he remarked that Conservation Districts have been helpful in many of the projects which the Board has been a part of. He feels that the Committee has an obligation to support Conservation District Bureau.

**Sarah Carlson, Executive Director of the Montana Association of Conservation Districts.** She wanted to indicate their support for the programs in this Division and in the Coal Tax. She recounted a story which she felt encompassed their feelings.

**Danielle Rau, representing the Montana Farm Bureau Federation,** expressed the support of the Federation for the Conservation Districts and their funding.

**Jane Holzer, from the Montana Salinity Control Association,** urged the committees support for the Conservation District programs.

**Steve Story, Chairman of the Yellowstone River Conservation District Council,** reported on the assistance and support that the Conservation Districts have provided which have allowed the Council to succeed in its work.

**Monty Sealey, Coordinator of the Resource and Conservation Districts from Central Montana,** explained the interest and need to move forward with the Regional Water System. He specifically mentioned DP 2305 as an important package.

**Gary Thomas, Public Works Director from the city of Roundup,** stressed how important the Project was to his part of the state.

***{Tape: 2; Side: A; Approx. Time Counter: 10.3 - 21.3}***

**Frank Hutton, representing the City Council of Harlowton,** expressed that the City of Harlowton fully supported the Regional Water Authority.

**Clint Jacobs, manager of the Dry Prairie Rural Water System,** supported Anna Miller and Ray Beck and their explanation of how the Division worked with the Rural Water Systems. The addition of the pipelines has increased the quality and availability of water for 750 customers. On behalf of Dry Prairie he requested the Committees support for the funding requests of the Division.

**Brian Milne, from the Dry Redwater Project,** thanked the Committee for their support last year and wanted to advise them of the next phase of the Project. He provided a handout with the phase one summary and the proposed alternatives for the next phase of the Project.

**EXHIBIT** (jnh09a06)

**Patrick Eggebrecht, McCone County Commissioner,** announced his support for the Dry Redwater Project.

**Daniel Keil, Chairman of the North Central Regional Water Authority,** declared that the support the Authority has received from DNRC has been invaluable. He expressed the need for a permanent coordinator for the state DNRC.

**Buzz Mattelin, Chairman and Vice President of Montana Association of Conservation Districts,** came in support of the CARD budget request and thought it was important for the Committee to understand the investing. For every state dollar that is received, they receive \$45 dollars of federal for conservation. This has grown to \$60 over the last year. There are also 400 supervisors across the state. He mentioned some of the projects which they have collaborated on with other Departments. He also supported the addition of an irrigation specialist.

***{Tape: 2; Side: A; Approx. Time Counter: 21.3 - 39}***

**Marieanne Hanser, of the Yellowstone Conservation District,** wanted to add her support to the CARD budget. She is also a member of the Resource Conservation Advisory Council and she wished to urge the support of the educational programs.

**Bob Hector, Supervisor of the Yellowstone Conservation District,** described two programs in which the Conservation District Bureau has given aid to the YCD. He wanted to stress that they get technical, engineering, and legal support as well.

*{Tape: 2; Side: A; Approx. Time Counter: 39 - 44.8}*

*{Tape: 2; Side: B; Approx. Time Counter: 0 - 3.2}*

**Jay Bodner, representing the Montana Association of State Grazing Districts,** reported on the accomplishments of the grazing districts. He urged the support of appropriations for the grazing districts and also the re-institution of a range management specialist for the Department.

**Mike Carlson, Coordinator of the Eastern Plains Resource Conservation Development Corporation from Sydney,** discussed the role of his company in eastern Montana. The corporation wanted to request the Committee's support of re-establishing the Small Business Startup Grants Program for eastern Montana. He provided a handout showing the projects which the Eastern Plains RC&D had funded from 2000-2002. He also provided samples of some of the products funded by the grant program. He also wanted to speak for the irrigation development position and the reestablishment of the rangeland coordinator position. He wanted to express his organizations full support of DNRC's funding of the Dry Prairie, Dry Redwater Projects, and the Central Montana RC&D Rural Water Projects.

**EXHIBIT** (jnh09a07)

*{Tape: 2; Side: B; Approx. Time Counter: 3.2 - 16.3}*

**Gary Amestog** testified on behalf of two different parties. He is a **Lobbyist for the Richland County Economic Development Corporation, Project Coordinator for the West Grain Irrigation District and for the Chester Irrigation Project.** Representing the Richland County EDC he conveyed their support of the CARD Programs. He also wanted to express their support of the RC&D Small Business Startup Program, the Rural Water Development Projects, and the reinstatement of the irrigation program. In his role as a representative of the irrigation projects he wanted to voice the support of the CARD Programs. He urged the renewal of the coordinator's position.

**Ann Marie Robertson, the Director of the Bear Paw Development and Coordinator for the Rocky Boy and Central Regional Water Authority,** expressed their support of the CARD Program especially the coordinator's position. She wanted to ask for the continued support of the CARD Program and Regional Water Projects.

**Dave Jones, with the North Central Water System and Board of the Montana Water District,** spoke to the need of the Regional Water

Systems to support their federal mandate to protect water. He urged the Committees support of the Regional Water Project.

**Anna Miller** provided letters from proponents who could not make it to Helena but wanted to express their support.

**EXHIBIT(jnh09a08)**

**QUESTIONS FROM THE COMMITTEE AND THE RESPONSES**

**CHAIRMAN RIPLEY** had heard that the Governor may not hold the Range Tour. He was curious if that was true or not.

**Ray Beck** responded that they had lost all of the funding for the Program last session; and since then, it had been operating under a grant from the Department of Agriculture. If they do not receive funding, then it will have to be stopped.

**Barbara Smith** gave a rundown to the Committee concerning the information that she would provide the next day.

**REP. MUSGROVE** remarked on the number of changes that had occurred and was wondering if there would be a shortened version of the different packages so that they don't forget or pass over anything.

**Barbara Smith** asked if he was referring to a matrix that held the money or a listing of what had come into the Committee outside of the Executive.

**REP. MUSGROVE** clarified that he was interested in Decision Packages on which they would have to take executive action.

**Barbara Smith** replied that she would provide a complete list.  
**{Tape: 2; Side: B; Approx. Time Counter: 3.2 - 38.9}**

**ADJOURNMENT**

Adjournment: 10:50 A.M.

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REP. RICK RIPLEY, Chairman

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BRITT NELSON, Secretary

RR/bn

Additional Exhibits:

**EXHIBIT ([jnh09aad0.PDF](#))**